

**KAPS TRANSPORT LTD.**

and its subsidiary companies

**CONSOLIDATED STATEMENT OF  
SOURCE AND APPLICATION OF FUNDS**6 months ended December 31, 1969  
(with comparative figures for 1968)  
(unaudited)

	1969	1968
<b>FUNDS PROVIDED:</b>		
From operations		
Net income	\$ 594,330	\$151,150
Non-cash items		
Add—depreciation	358,210	203,457
—deferred income taxes	47,051	34,035
—minority interest in income	13,160	2,514
—amortization of debenture costs	4,051	—
	<u>1,016,802</u>	<u>391,156</u>
Refunds on special refundable tax	6,433	1,295
Increase in long term debt	—	95,869
Working capital acquired on acquisition of subsidiary	—	129,380
Increase in common shares issued	1,074,000	—
	<u>2,097,235</u>	<u>617,700</u>
<b>FUNDS APPLIED:</b>		
Reduction in long term debt	960,489	—
Additions to fixed assets (net)	1,250,846	345,147
Acquisition of subsidiary	—	153,500
Dividends on common shares	92,927	87,000
Income tax re-assessment	—	15,000
	<u>2,304,262</u>	<u>600,647</u>
<b>INCREASE (Decrease) IN WORKING CAPITAL</b>		
	(207,027)	17,053
WORKING CAPITAL, JUNE 30	<u>1,085,560</u>	<u>53,022</u>
WORKING CAPITAL, DECEMBER 31	<u>\$ 878,533</u>	<u>\$ 70,075</u>

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**KAPS****SECOND QUARTER REPORT****DECEMBER 31, 1969**



## MESSAGE FROM THE PRESIDENT

In the six months ended December 31st, 1969 revenues totalled \$6,421,672 up from \$2,802,463 during the comparable period last year. Net earnings rose to \$594,330 from \$151,150 or 31.5c per share compared to 8.0c per share, both based on 1,886,265 shares outstanding which gives effect to the 3 for 1 share split and Series A Debenture conversions up to December 31st, 1969.

Second Quarter earnings were down somewhat from the First Quarter of this year, which were 20.5c per share based on 1,886,265 shares outstanding, as it is during this period that your Company's operations shift from mainly water transportation to ground transportation, with a resulting short period of reduced revenues. R. R. Dales Construction Co. Ltd. also completes most of its larger jobs midway through the second quarter. The present indications are that the second quarter will be the lowest quarter of the year, and the outlook for the second half is most favourable, with our largest trucking revenues being generated during this period and the marine and gravel operations commencing towards the end of the second half.

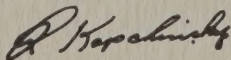
On the 5th day of January, 1970 the Water Transport Committee of the Canadian Transport Commission granted your company a license to transport goods on the Mackenzie River Watershed to any point which would be adjacent and/or accessible to exploration drilling sites, pipeline rights-of-way, building and construction sites, this would include the movement of goods off the Mackenzie and up other routes which would be navigable, such as the Liard and other rivers. Now that your company has this authority, and because of the anticipated increase in freight movement in the North, your company is constructing one new tug and six new barges, with a load capacity of 1,150 tons each. This increase in equipment will more than double our water transport capacity.

To finance this increase in our marine fleet, your company is negotiating a private placement of a \$2,000,000 9-1/2% Secured Debenture, Series B to which is attached Warrants to purchase 40,000 Common Shares in your Company at \$12 per share, subject to the approval of the appropriate regulatory bodies.

Before proceeding with the above mentioned private issue, the \$3,000,000 7% Sinking Fund Debentures Series A were called for redemption on February 16th, 1970, and almost all were converted prior to redemption.

Your Company is continuing to unload and stockpile pipe for the Trans Alaska Pipeline System, even though operations relating to the actual construction have been temporarily suspended. We have now commenced to haul pipe to various stockpile locations from Valdez. It had been anticipated that this hauling would have commenced earlier.

At a Directors Meeting on November 3rd, 1969 the Semi-Annual Dividend of 5.0c per share was declared payable December 15th, 1969 to Shareholders of record on December 5th, 1969. This is the same rate previously paid after adjusting for the 3 for 1 share split of November 14th, 1969.



R. KAPCHINSKY  
President and  
Chief Executive Officer

Edmonton, Alberta  
February 20, 1970

## KAPS TRANSPORT LTD.

and its subsidiary companies

### CONSOLIDATED STATEMENT OF INCOME

6 months ended December 31, 1969  
(with comparative figures for 1968)  
(unaudited)

	1969	1968
REVENUE .....	\$6,421,672	\$2,802,463
EXPENSES:		
Direct Operating .....	4,219,771	2,148,174
General and Administrative ....	445,679	202,760
Provision for depreciation ....	358,210	203,457
Interest on long term debt ....	114,027	20,164
	<u>5,137,687</u>	<u>2,574,555</u>
OPERATING PROFIT .....	1,283,985	227,908
OTHER INCOME (Loss) .....	(7,119)	58,025
Income before income taxes .....	1,276,866	285,933
Income Taxes .....	669,376	132,269
	<u>607,490</u>	<u>153,664</u>
MINORITY INTEREST IN INCOME	13,160	2,514
NET INCOME FOR THE PERIOD	<u>\$ 594,330</u>	<u>\$ 151,150</u>
EARNINGS PER SHARE BASED ON 1,886,265 SHARES OUTSTANDING .....	<u>31.5c</u>	<u>8.0c</u>